Weekly Economic Review

Retail sales continue to strengthen

Retail Sales

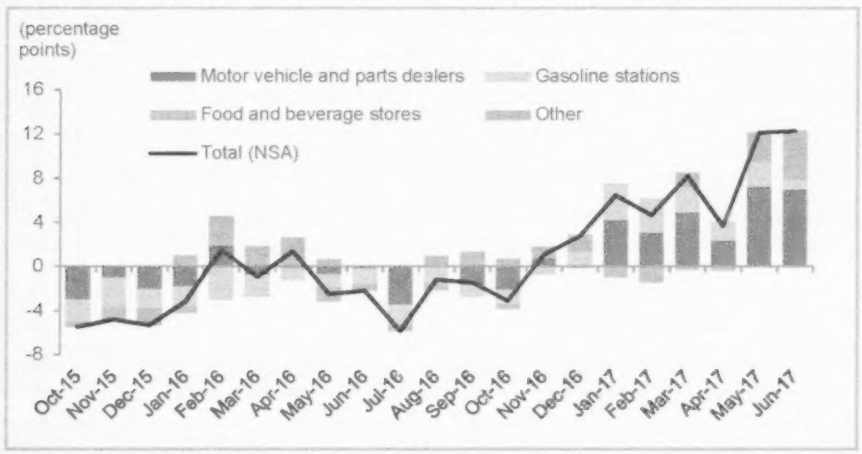
Broad strength in retail sales

Widespread gains propelled Alberta's retail sales to a new all-time high in June. Retail sales rose 1.0% month-over-month (m/m) to $6.9 billion, well above the pre-recession high reached in October 2014. Compared to a year ago, retail sales were up 10.5%, the largest increase since July 2007. Nearly all categories contributed to growth, led by sales of motor vehicles and parts (+24% year-over-year or y/y) and robust gains in other durable goods categories such as electronics and appliance stores (10.6% y/y), and building materials and garden supplies (10.7% y/y) (Chart 1). Meanwhile, sales of furniture and home furnishing stores remain weak, partly reflecting lower prices.

Nationally, retail sales were up for the fourth month in a row with British Columbia and Quebec posting the largest gains.

Chart 1: Growth in retail sales expanding to other sectors

Contribution to year-over-year change in retail sales (seasonally unadjusted)



Source: Statistics Canada

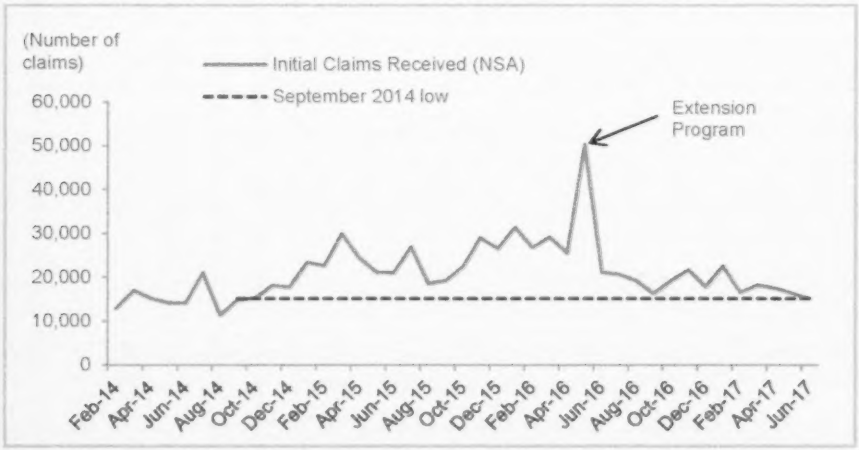
Employment Insurance

EI beneficiaries receding

The number of Albertans receiving regular Employment Insurance (EI) benefits continues to decline. The number of EI beneficiaries fell for the eighth straight month in June to 69,740, down 3.3% from the previous month. The monthly decline was spread across the province, including the census metropolitan areas of Edmonton and Calgary. However, EI beneficiaries were down 15% compared to a year ago, partly reflecting an increase in the number of beneficiaries last year following the wildfires in northern Alberta. Although June saw an increase in the total number of EI claims received, it remained significantly lower than last year, with initial claims dropping to its lowest level in nearly three years (Chart 2).

Chart 2: Initial claims drop to three-year low

Monthly number of initial EI claims received (seasonally unadjusted)



Source: Statistics Canada

Wholesale Trade

Sales hit a speed bump

After eight consecutive months of increases, Alberta's wholesale trade pulled back in June. It fell 3.7% m/m to $6.5 billion due to broad-based declines (Chart 3). However, wholesale trade was up 8.7% compared to a year ago, led by gains in machinery and equipment (13% y/y), building

materials (20% y/y), miscellaneous (23% y/y), and motor vehicle and part sales (11% y/y). Sales in the first half of 2017 increased 7.8% compared to the same period last year, led by machinery and equipment.

Investment in New Housing Construction

Recovery in investment underway

New housing investment in the province continues to recover after bottoming out in January. Investment in new housing construction stood at $714 million in June, up 11.3% from the same month last year but still well below the levels seen prior to the recession. This was the second consecutive month of year-over-year increase following steep declines over the last two years (Chart 4). While investment in new single dwellings has been improving on a year-over-year basis since the start of this year, investment in multi-family dwellings remains weak, weighed down by ongoing declines in row homes and apartments. However, the pace of decline in these dwelling types has moderated significantly.

Corporate Profits

Earnings holding up

Corporate earnings in Canada continues to hold steady and remain higher than a year ago. Operating profits were virtually unchanged at $91.4 billion in the second quarter of 2017 as higher operating profits for non-financial industries (+2.6% quarter-over-quarter or q/q) were offset by a decrease in financial industries (-5.0% q/q). While the oil and gas sector continued to experience losses, it showed the most improvement as operating losses fell to $839 million from $1.5 billion in the first quarter of 2017. Meanwhile, production outages and higher maintenance costs weighed on operating profits in the manufacturing sector (-5.7% q/q). Compared to a year ago, overall operating profits were up 25%.

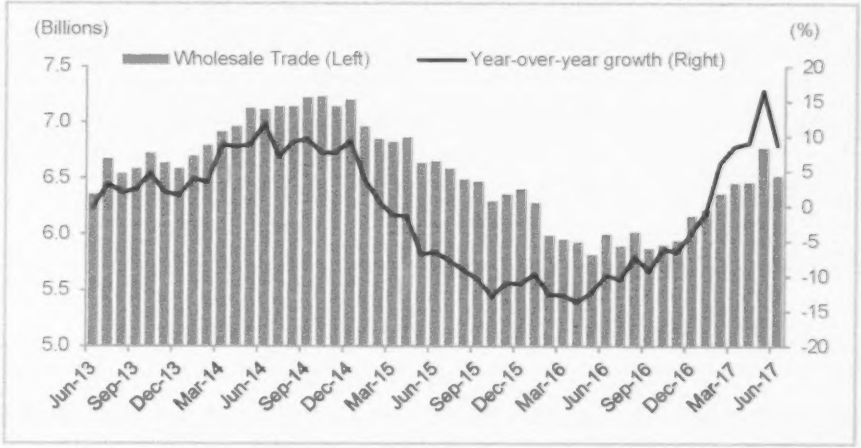
US Housing Market

New home sales cool down

U.S. new home sales took a breather in July after a solid run in the first half of the year. Sales of newly built single-family homes fell 9.4% m/m to a seasonally adjusted annual rate of 571,000 units, the lowest level since December 2016. Sales were broadly lower across the country, with only the Midwest region reporting higher sales. Despite the decline, new home sales remained well ahead of last year's levels, supported by a strong labour market and economic growth.

Chart 3: Wholesale activity takes a breather in June

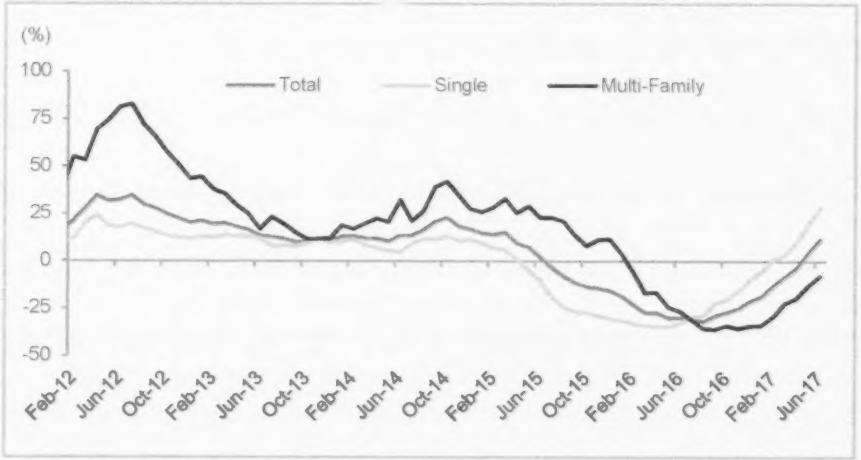
Year-over-year change and value of wholesale trade (seasonally adjusted)



Source: Statistics Canada

Chart 4: Single dwellings support recovery in new housing investment

Year-over-year change in new housing investment by dwelling type



Source: Statistics Canada

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.